

Message Text

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ACTION EA-10

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 /098 W

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R 270744Z JUN 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 983

INFO AMEMBASSY JIDDA

AMCONSUL HONG KONG

CINCPAC

C O N F I D E N T I A L SEOUL 4681

HONG KONG FOR REGFINATT

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: EFIN, EAID, KS, SA

SUBJECT: ROKG ECONOMIC RELATIONS WITH SAUDI ARABIA

REF: SEOUL 4657

1. ECONOMIC PLANNING BOARD ASSISTANT MINISTER LEE SUN KI, WHO HEADED ROKG JUNE 5-21 VISIT TO SAUDI ARABIA, HAS PROVIDED FOLLOWING INFO ADDITIONAL TO THAT REPORTED REFTTEL.

2. ROKG LOAN PROPOSAL TO SAUDI FUND FOR DEVELOPMENT (SFD) CONSISTS OF (1) COST OVERRUNS EXCEEDING \$100 MILLION ON 5 IBRD PROJECT LOANS NOW BEING IMPLEMENTED AND (2) 5 NEW PROJECTS TO BE DEVELOPED OVER NEXT 6-12 MONTHS BY IBRD, PROBABLY TOTALLING ABOUT \$100 MILLION. KOREANS HOPE SFD WILL FINANCE \$90-100 MILLION OF MVERRUNS ON 100 PERCENT BASIS (SINCE EACH OVERRUN LESS THAN 50 PERCENT OF PROJECT
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TOTAL) AND THAT SFD AND IBRD WILL EACH FINANCE 50 PERCENT

OF NEW PROJECT LOANS. ROKG HOPES IT WILL RECEIVE MAXIMUM
10 PERCENT OF SFD FUNDS DUE TO BE INCREASED FROM \$900
MILLION TO \$1.9 BILLION ON JULY 10.

3. LEE WILL RETURN TO SAUDI ARABIA JULY 10 TO PROVIDE
ADDITIONAL BOP JUSTIFICATION FOR MONETARY AUTHORITY (SAMA)
CREDIT. ROKG IS SEEKING \$200 MILLION CASH CREDIT BUT
LEE ADMITS IT MAY GET LESS OR NOTHING. FINAL DECISION
WILL BE MADE BY SAUDI CABINET, PARTLY ON POLITICAL GROUNDS.
LEE DID NOT RAISE POSSIBILITY OF USG APPROACH ON SAMA CREDIT.

4. LEE SAID SALE OF CLOTHING TO SAUDI ARMY MIGHT REACH
\$200 MILLION AND SUPPLY MISSION WILL LEAVE SOON. SAUDIS
TOLD HIM USG HAD SUGGESTED KOREA AND TAIWAN AS GOODS
PROCUREMENT SOURCES.

5. LEE SAID KOREANS HAD OBTAINED CONSTRUCTION CONTRACTS
IN SAUDI ARABIA WORTH \$162 MILLION TO DATE AND WERE
NEGOTIATING ON ADDITIONAL \$330 MILLION. KOREAN FIRMS
ALSO HOPE TO OBTAIN SUBSTANTIAL SHARE OF \$2.7 BILLION IN
CONSTRUCTION CONTRACTS REPORTEDLY TO BE LET BY SAUDIS
DURING THEIR FY 1976 BEGGING JULY 10.
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